Supreme Court, U.S.
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No. 99-1974

In The

Supreme Court of the United States

JIM WEINS AND MAC MEYER,

Petitioners,

v.

ROBERT A. SPORLEDER, MERLE VAN LIERE AND EN-R-G MAX, INC.,

Respondents.

On Petition For A Writ Of Certiorari To The Supreme Court Of South Dakota

REPLY TO RESPONDENTS VAN LIERE AND EN-R-G MAX, INC'S. BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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REPLY TO RESPONDENTS' VAN LIERE AND EN-R-G MAX, INC'S, BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

Petitioners' Weins and Meyer submit their Reply Brief to Responderts' Van Liere and En-R-G Max, Inc's. Brief in Opposition To Their Petition For a Writ of Certiorari. Van Liere and En-R-G Max argue that the Petition should be denied because (1) Petitioners have failed to raise a federal issue; (2) that no federal question was raised by the Petitioners before the South Dakota. Supreme Court; and (3) whether a federal question was passed upon by the South Dakota Supreme Court. These arguments should fail for the following reasons which are listed in the same numerical order as above, (1) the Petitioners have raised federal issues; (2) the federal issues were raised by the South Dakota Supreme Court; and (3) the South Dakota Supreme Court passed upon all of the issues raised.

The Respondents set out the case in a 16 page narative statement, plus three reasons for denying the Writ. References in this Reply Brief to the issues set out in the Statement of the Case will, follow the brief of the opposition by page number designated by p.# followed bar a paragraph ¶ #. The paragraph # will refer to the page # where the paragraph begins.

References to the Appendix will be (App.) followed by the Appendix #'s which are printed in the Petition for Certiorari.

REPLY

P.1 ¶ 1. The statements of fact are not incorrect. Petitioners statements of fact were all taken from the record made at trial.

P.1 ¶ 3. Sporleder did suggest the use of phosphoric acid as a limiting agent in November, 1988, while Weins,

Meyer and Sporleder were still partners. Phosphoric acid was used in conjunction with a feed product that took advantage of a fermentation process with the use of a yeast and fermentation which Sporleder acknowledged was Weins idea. Weins, Meyer and Sporleder mixed a batch on 11/2/88 which was fed to cattle. The mixture worked. This is the product that Weins, Meyer and Sporleder attempted to patent.

P.2 ¶ 1. Consistency was achieved in the batch mixed on 11/2/88.

P.2 ¶ 2. On or about 2/23/89 Sporleder stayed at Meyer's place. Sporleder had a phone conversation with Weins expressing a desire to sell two semi-loads of the product. Weins told Sporleder that their attorney said, "Wait thirty to sixty days, whatever it took for a patent pending," until they sold any product. Meyer testified that after Sporleder hung up the phone, he, Sporleder, stormed out the door and, "That's the last time I saw him." Weins and Meyer didn't terminate the relationship. Sporleder left it.

P2 ¶ 3. At trial Coob Anderson, an eighty year old rancher said, "He had never seen a product like that before and that it worked real good." He added, " . . . that this product, in his opinion, was new on the market." Leonard Havala, a forty year Piedmont, S.D., rancher said that he used Weins' product in the middle of November, 1988, and that, "The product worked extremely well." Havala added that, "Crystalix didn't work as well as Weins tub." Lyle Steinman, who ranches near Piedmont, S.D., also used the product. Steinman said, "Until Weins and Meyer brought their cattle supplement to his place he had never seen a product like theirs." Steinman said. "He had used Crystalix himself and this product was different." Steinman also said that he had used Loomix and Loomix was different.

P.3 ¶ 1. The Supreme Court did state that, "There was never a clear assertion as to what exactly was claimed to be the trade secret." The case was submitted to the jury on the allegations contained in the Second Amended Complaint, (App. 57), which read in part:

"FIRST CAUSE OF ACTION

I.

That sometime before November, 1983, Plaintiff Jim Weins conceived the idea for and invented a new product having application for a Feed Supplement for ruminants and pseudoruminants. Said product is a tub feed product containing a combination of ingredients to be fed free choice to cattle, sheep and horses and which was to limit consumption.

That the invention, combination of ingredients, use and application was a trade secret."

It was clear what Weins and Meyer claimed was the trade secret and the jury correctly found it was a trade secret.

P.3 ¶ 2. The quote, "Anyone can come up with a formula." is not the full quote. The full quote found at T 338 is, "Anyone can come up with a formulation. Few people can come up with a unique type system or a unique program." Robert Riser testified that the concept was unique. Riser compared Weins product with En-R-G Max and said, in his opinion, "There is [sic] few minor changes, but basically they're the same." He added as an analogy about comparing Corn Flakes, Weins and Meyers product and En-R-G Max, "Well, one is Post and the other is Kellog [sic]," "There are a few minor changes, but basically they are the same." The jury agreed with Mr. Riser.

It is true that once a feed tag is placed on a product it can be analyzed and copied. However, whoever places

his product in the market first has a competitive advantage. Weins and Meyer lost their chance to be first in the marker because Sporleder, Van Liere and En-R-G Max misappropriated their idea.

P.3 ¶ 3. The fact that the "setting up" of the tubs was something that we accidentally stumbled into doesn't defeat Weins' and Meyer's claim that their product was a trade secret. That was part of the newness that enhanced the secret. This same concept was used by En-R-G Max, Inc. Despite what Dr. White says, this method of "setting up" was not being routinely used in the feed industry.

P.4 ¶ 1. The statement that, "As the trial went on, the idea of using phosphoric acid and three limiters became a claimed trade secret," is not correct. The first witness called by the plaintiffs was Leonard Havala. Havala was approached by Mac Meyer asking hire to allow Weins and Meyer to test a feed supplement with limiters added to limit consumption. The project was started in November, 1988. Havala fed the product from early November until early spring 1989. Havala said that consumption got down to "maybe a little less, but right around a pound." He added the spring calves were licking the product and that the calves were getting something they needed or wanted and that the calves had no disease problem. The feed used at Leonard Havala's was the first feed using phosphoric acid as a limiting agent. The idea of using three limiters was Weins' and was part of the plaintiffs' case from the start.

P.4 ¶ 2. This paragraph states that Weins and Meyer repeatedly alleged that the use of plastic tubs instead of steel tubs was a trade secret. This is not correct. Mac Meyer was the second witness called in the plaintiffs' case. His direct testimony began at page T 174 of the transcript and continued to T 242. He never testified on direct that the plaintiffs were claiming the use of a plastic

tub as a trade secret. The first mention of a plastic tub was at T 271 Line 23 to 272 Line 3 when the attorney for Sporleder asked Meyer:

Q. Mr. Weins is telling the patent office that, "I have invented a plastic tub that is so unique, that it needs to be protected by the patent laws of the United States"?

A. No, he did not say that he invented a plastic tub. He said that he was the first one to use it in a lick tub. He never said that he invented the tub.

Ms. Wiedmeier, one of the attorneys for Van Liere and En-R-G Max, Inc., then cross-examined Mac Meyer starting at T 275 and continuing to T 292. She asked the following questions and Mac Meyer gave the following answers: T 285 Line 12 to T 285 Line 21

Q. Are you aware that other companies besides En-R-G Max use plastic tubs to sell feed products?

A. At the time that we were testing the tub, there was not any-body selling in a plastic tub that I knew of.

Q. Are you aware today –

A. Oh, yes.

Q. – that other companies –

A. Yes.

Q. Are you going to stop them from using a tub product?

A. No.

The record does not support that Weins and Meyer repeatedly alleged that the use of plastic rather than steel tubs was a trade secret. The quote of the Meyer testimony used by Van Liere and En-R-G Max at P.4 ¶ 2 that "it was nothing that would hold water as far as standing out to be a secret . . . " makes this a non-issue.

P.5 ¶ 1. The court's Instruction # 23 reads as follows:

"Instruction No. 23

If you find that the feed supplement technically is not a trade secret, if the oral contract clearly reveals the intent of Weins, Mac Meyer and Sporleder to create a confidential relationship, a breach of relationship is actionable even if Sporleder could glean some of the information from public sources.

If you find a confidential relationship existed by oral contract and that Sporleder, Van Liere and En-R-G Max conspired to break that confidentiality, the plaintiffs may recover damages from both Sporleder and Van Liere."

In the Second Amended Complaint, the Second Cause of Action paragraphs II, III, IV, V, VI, VII and VIII were added as specific acts of tortious conduct in support of the facts of the case and to incorporate the case law of South Dakota. In particular, paragraph V alleges five deceitful acts. The Second Amended Complaint supports a claim for a tortious breach of a confidential relationship.

P.5 ¶'s 2 and 3. The case was not submitted to the jury on Weins' and Meyer's Motion to Amend the Complaint in 1994. The case was submitted to the jury based on the Second Amended Complaint which took place at trial. This is a non-issue.

P.5 ¶ 4 and all of pages 6, 7, 8, 9, 10, and 11 were all fully discussed in the Petition for Certiorari starting with the last paragraph on page 14 and ending on page 22. That discussion fully states the position of Weins and Meyer in response to the above enumerated paragraph and pages and is incorporated herein by reference.

That completes the Respondents' analysis of the paragraphs set forth under the general heading of Statement of the Case. Respondents reply to the three reasons for denying the writ follow in order.

I.

PETITIONERS HAVE FAILED TO RAISE A FEDERAL ISSUE IN THEIR PETITION. (P. 13)

Included in Respondents' reason I for denying the writ is a statement that the California Supreme Court barred *Lear* from presenting any evidence questions in the granting of a patent. In this case, over the objection of the Respondents, a copy of Weins' and Meyer's patent application was admitted only on the question as to whether Sporleder and Van Liere interferred with the effort of Weins and Meyer to obtain a patent. The court added a cautionary instruction stating, "The denial of the patent by the Patent Department and the reasons given, therefore, are not binding in this case and should be disregarded by you when you determine whether Weins, Meyer and Sporleder had a trade secret."

II.

NO FEDERAL QUESTION WAS RAISED BEFORE THE SOUTH DAKOTA SUPREME COURT. (P. 16)

Included in Respondents' reason II at P.18 ¶ 2 is a quote which says, "Although it would not be sufficient, Petitioners also failed to advance a federal constitutional, federal statutory, federal regulatory, or applicable federal common law provision in their briefs on appeal to the South Dakota Supreme Court or in any petitions for rehearing to the South Dakota Supreme Court." In the Supplemental Petition for Rehearing at App. 131, Petitioners set forth the following quote from *Ed Nowogroski Ins., Inc., v. Rucker*, 971 P.2d 936 (Wash. 1999):

> The Court goes on at page 945 to discuss the question which is now the central issue in this appeal, that is whether a plaintiff can rely on acts that constitute trade secret misappropriation that may be used to support other causes of

action. The Washington Supreme Court answered, yes, at page 945 where it said:

> "As noted above, the Uniform Trade Secrets Act codifies the basic principles of common law trade secret protection. *MAI Sys. Corp.*, 991 F.2d at 520; see also 2 *Rudolph Callmann, The Law of Unfair Competition. Trademarks and Monopolies* Sec. 14.31, at 219 (4th ed. Supp. 1996) (the same principles apply to the protection of customer lists under the Uniform Trade Secrets Act as under the common law). In the absence of legislative intent to the contrary, prior common law which is not contradicted by the Uniform Trade Secrets Act should continue to guide the courts in the interpretation of the Act. See *Avnet, Inc. v. Wyle Lab., Inc.*, 263 Ga. 615, 437 S.E.2d 302, 305 (1933) (*the state Uniform Trade Secrets Act is to be construed in harmony with the pre-existing common law on trade secrets). The Uniform Trade Secrets Act only abrogates prior conflicting state law.* RCW 19.108.900, *Boeing*, Wash.2d at 48, 738 P.2d 665." (Italics supplied)

III.

NO FEDERAL QUESTION WAS PASSED UPON BY THE SOUTH DAKOTA SUPREME COURT. (P. 19)

This claim starts out stating that the South, Dakota Supreme Court did not pass on any federal, question. Rule 10(b) of the Rules of the Supreme Court of the United States adopted January 11, 1999, which became effective on May 3 provides as follows:

"Rule 10. Considerations Governing Review on Certiorari

Review on a writ of certiorari is not a matter of right, but of judicial discretion. A petition for a

writ of certiorari will be granted only for compelling reasons. The following, although neither controlling nor fully measuring the Court's discretion, indicate the character of the reasons the Court considers:

(b) a state court of last resort has decided an important federal question in a way that conflicts with the decision of another state court of last resort or of a United States court of appeals."

After the decision in *Weins I*, Weins and Meyer filed an extensive Petition for Rehearing. (App. 68) They took exception at pages 68 and 69 to the adoption by the South Dakota Supreme Court of the rulings of the Iowa Supreme Court in *Economy Roofing and Insulating Co. v. Zumaris*, 538 N.W.2d 641 (Iowa 1995), as interpreted in *Uncle B's Bakery, Inc. v. O'Rourke*, 920 F.Supp. 1405 (N.D. Iowa 1996). In addition, Justice Sabers in his dissent in *Weins I*, disagrees with the majorities reliance on *Economy Roofing* in so far as it struck the jury verdict. (App. 22) The South Dakota Supreme Court denied the Petition for Rehearing. (App. 34-35) This question was ruled on by the South Dakota Supreme Court.

After the decision in *Weins II*, Weins and Meyer filed a Petition for Rehearing and a Supplemental Petition for Rehearing. (App. 129) In the Supplemental Petition it was brought to the South Dakota Supreme Court's attention that its reliance on *Ed Nowogroski Ins., Inc. v. Rucker*, 944 P.2d 1093 (Wash App. 1997) for the proposition that, "A plaintiff, 'may not rely on acts that constitute a trade secret misappropriation to support other causes of action,' " (see App. 44), was not consistent with a subsequent decision by the Supreme Court of Washington in the same case. (See App. 129) In the subsequent case, the Washington Supreme Court said, " . . . in *Ed Nowogroski Ins., Inc. v. Rucker*, 971 P.2d 936 (Wash 1999) that prior

common law which is not contradicted by the UTSA is to be construed in harmony with the pre-existing common law on trade secrets. The UTSA only abrogates conflicting state law. *Boeing*, 738 P.2d 665."

The South Dakota Supreme Court denied the Petition for Rehearing in *Weins II* (App. 52) and, therefore, created a conflict with a decision of the Supreme Court of Washington. As a result the United States Supreme Court Rule 10(b) is applicable.

CONCLUSION

For all of the reasons set forth in the Petition for Certiorari, PP. 22-25), which are hereby incorporated by reference, the Petition for a Writ of Certiorari should be granted. It also should be granted for the following additional reasons:

1. The decision on Count I is in conflict with the decision of the Iowa Supreme Court upon which the South Dakota Supreme Court relied and the decision on Count II is in conflict with a decision of the Washington Supreme Court upon which the South Dakota Supreme Court relied. United States Supreme Court Rule 10(b).

2. The Uniform Trade Secrets Act has been adopted in 41 states and in a great number of instances involves interstate commerce. There should be a federal interest in uniform application of this law.

Respectfully submitted,

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